

PILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND

2013 MAY -9 PM 5:45 STATE BUDGET PROPOSAL ANALYSIS

Date: May 9, 2013

Bill Number: State Budget Trailer – Local Control Financing
Formula

Bill Author: Governor Jerry Brown



DEPARTMENT INFORMATION

Contact: Bruce Stoffmacher, Policy Analyst
Office of Councilmember Libby Schaaf – District 4
510-238-7041
bstoffmacher@oaklandnet.com

RECOMMENDED POSITION: SUPPORT

Summary of the Budget Proposal:

Under this proposal, State education funding would remove many specific funding categories which dictate spending for specific uses such as textbooks, remediation, and low-income student aid. Local school districts would be given more funding directly for general school district support and more direct control to decide how funds are allocated. The proposed funding formula in the budget would reallocate additional funding to school districts with sizeable populations of at-risk students, such as Oakland Unified School District.

Budget Proposal Analysis:

No school district or charter school will receive less than it did in 2012-2013. The vast majority of school districts and charter schools (approximately 1,700) will receive moderate to significant funding increases with the implementation of the Local Control Funding Formula (Formula). On a statewide basis, funding levels are projected to grow by approximately \$2,700 per student over the first five years of Formula implementation.

For Oakland Unified School District, funding would rise from the \$7,362 2013-2014 per-pupil funding to approximately \$10,951 under the plan's full implementation, according to the Department of Finance.

The Formula will restore the significant funding reductions (known as the deficit factor) made to general purpose school funding (revenue limit) over the last five years. When fully implemented, the Formula will ensure all districts receive a general purpose base grant (basic per-student funding level) that is equivalent to the statewide average from 2007-2008. Districts will receive supplemental funding above this amount.

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Districts will receive substantial additional funding based on the number of English learners, students eligible for free and reduced-priced meals, and foster youth they serve. These students account for more than half of current K-12 enrollment. This additional funding, known as supplemental funding and concentration grants, will assist schools in meeting the unique educational needs of these students.

District revenue limits were created in response to the 1971 Serrano v. Priest court rulings, which held that base funding levels were unequal between school districts with similar characteristics. As a result, district revenue limits reflect local funding decisions made in the late 1960s and early 1970s.

Background:

Proposition 13 shifted most school funding from local property taxes to the state General Fund. Prior to Proposition 13, school districts were primarily funded through local property taxes. Since the implementation of Proposition 13, a multitude of categorical programs were created that restrict school funding to specified purposes. The state now has over 60 categorical programs, each with unique restriction, and differing accounting and reporting requirements. These programs provide funding for specific purposes such as class size reduction or arts education.

The Great Recession has exacerbated these flaws and inequities as follows:

- It unilaterally reduced all revenue-limit funding through the implementation of the deficit factor. The deficit factor impacts districts inequitably. For example, Palo Alto Unified's revenue limit is funded exclusively by local property taxes, where Oak Grove Elementary School District in that same county receives over 50% of its revenue limit funding in the form of state aid. Districts that are 100% locally funded are able to retain property taxes in excess of those needed to fund revenue limits.
- It deferred state revenue limit payments from one fiscal year to the next. Deferred state payments are significant to school districts. For example, over \$800 million in funding for the Los Angeles Unified School District was deferred from 2011-12 to 2012-13. Deferrals affect only state payments.
- It reduced appropriations for categorical programs and froze funding allocations based on a local educational agencies 2008-09 allocation.
- It temporarily removed the restrictions on many categorical programs. For example, the Albany Unified School District utilized this flexibility to redirect approximately \$117,000 in Physical Education funding to fund core education programs.

Collectively, these recent measures have exacerbated inequities between school districts because categorical program funding was not evenly distributed to all school

districts and county offices of education, and the allocations no longer reflect the student populations they were intended to serve. For example, Fremont Unified School District receives funding from the Teacher Credentialing Block Grant, where neighboring Emery Unified school district does not. In addition, each district receives a varying amount per ADA with Oak Grove Elementary district receiving approximately \$93 per ADA from the School Library Improvement Block Grant, whereas Alameda City Unified receives approximately \$69 per ADA.

The results of current reductions and historic choices have led to an inequitable school finance system that has de facto winners and losers based on numerous factors from decisions made in the 1960 and 70s to the categorical programs a district participates in, and lastly to the amount of state aid a district receives as a percentage of its total funding.

Restoring state-controlled restrictive categorical programs would significantly impact the ability of school districts to implement locally determined educational programs. Restoring these programs would force school districts to expend resources on onerous accounting and reporting requirements. As noted above, restoring categorical programs would require the Albany Unified School District to redirect \$117,000 in funding used for core educational purposes back to fund the requirements of the Physical Education Block Grant.

Positive Factors for Oakland

Increased per-pupil funding for at-risk students will increase overall funding for Oakland Unified schools as well as for nearly every charter school within the City of Oakland. Great school funding will ensure help to provide much greater educational opportunities for all Oakland students.

Negative Factors for Oakland Unknown

Known Support

Oakland Unified School District
Los Angeles Unified School District
Oakland Chamber of Commerce
Oakland Education Association
Great Oakland Public Schools

Known Opposition

There are other California School Districts that oppose changes to the education funding formulas.

PLEASE RATE THE EFFECT OF THIS MEASURE ON THE CITY OF OAKLAND:

- Critical (top priority for City lobbyist, city position required ASAP)
- Very Important (priority for City lobbyist, city position necessary)
- Somewhat Important (City position desirable if time and resources are available)
- Minimal or None (do not review with City Council, position not required)

Respectfully Submitted,

Councilmember Libby Schaaf

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OAKLAND

2013 MAY -9 PM 5:32

Approved as to Form and Legality

City Attorney's Office

DRAFT

OAKLAND CITY COUNCIL

Resolution No. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER LIBBY SCHAAF

RESOLUTION IN SUPPORT OF GOVERNOR JERRY BROWN'S LOCAL CONTROL FINANCING FORMULA (LCFF) BUDGET TRAILER TO THE STATE OF CALIFORNIA 2013-2015 BUDGET

WHEREAS, the City of Oakland benefits from having a highly educated and informed population; and

WHEREAS, the vast majority of Oakland residents believe that our public schools play a critical role in preparing children for future secondary-education and career success as well as personal achievement happiness, and

WHEREAS, many children in Oakland begin their K-12 school careers with many challenges stemming from poverty and a lack of preparation in their earliest years, thus challenging our public schools to help students overcome challenges, and

WHEREAS, limited-English proficiency, lack of exposure to literacy, and exposure to violence and trauma are some of the challenges faced by many students in our Oakland public schools; and

WHEREAS, increased funding dollars can help Oakland public schools provide greater and better focused programs that allow education leaders to challenge and support our Oakland students to address their education needs and overcome hurdles; and

WHEREAS, the Governor's proposed Local Control Financing Formula will add will increase funding for Oakland students by thousands of dollars to address the needs of so many Oakland students; therefore be it

RESOLVED, that the City Council supports Governor Jerry Brown's Local Control Financing Formula (LCFF) Budget Trailer to the State of California **2013-2015 Budget**

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF,
AND PRESIDENT KERNIGHAN

NOES –

ABSENT –

ABSTENTION –

ATTEST:

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California